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**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF QEP ENERGY COMPANY FOR AN ORDER SUSPENDING THE APPLICATION OF UTAH ADMIN. CODE R649-3-2, R649-3-10, AND R649-3-11(1) AND (2) FOR THE SOUTH RED WASH UNIT, COVERING THE S $\frac{1}{2}$ N $\frac{1}{2}$ AND S $\frac{1}{2}$ OF SECTION 1, ALL OF SECTIONS 12 AND 13, AND THE N $\frac{1}{2}$ AND SE $\frac{1}{4}$ OF SECTION 24, TOWNSHIP 8 SOUTH, RANGE 22 EAST, SLM, AND ALL OF SECTIONS 3, 4, 6-10, 13-24, THE E $\frac{1}{2}$ NE $\frac{1}{4}$ AND S $\frac{1}{2}$ OF SECTION 5, THE S $\frac{1}{2}$ OF SECTION 11, AND THE S $\frac{1}{2}$ OF SECTION 12, TOWNSHIP 8 SOUTH, RANGE 23 EAST, SLM, UTAH COUNTY, UTAH.

**FINDINGS OF FACT, CONCLUSIONS
OF LAW, AND ORDER**

Docket No. 2016-001

Cause No. 187-11

This matter was heard before John C. Rogers, Associate Director, Oil and Gas, Utah Division of Oil, Gas and Mining ("Division"), as Hearing Examiner designated by the Utah Board of Oil, Gas, and Mining (Board"), on Tuesday, January 19, 2016, at approximately 10:00 a.m. in the Auditorium of the Utah Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah. The Hearing Examiner was represented by John Robinson, Jr., Assistant Attorney General.

Testifying via video conference from Denver, Colorado, on behalf of Petitioner, QEP Energy Company, was Theresa Chatman, Landman, Aaron Bazzell, Associate Geologist, and Daniel J. Rabiolo, Senior Reservoir Engineer. QEP was represented by Mark L. Burghardt of Holland & Hart, LLP.

Attending on behalf of the Division was Dustin Doucet, Petroleum Engineer. The Division was represented by Steven F. Alder, Assistant Attorney General.

The Hearing Examiner's Recommended Findings of Fact and Conclusions of Law were filed with the Board on February 23, 2016.

This matter came before the Board on Wednesday February 24, 2016, at approximately 9:00 a.m. in the auditorium of the Utah Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah. The following Board members participated in the hearing: Ruland J. Gill, Jr., Chairman, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon. The Board was represented by Michael S. Johnson, Assistant Attorney General.

The Board, having considered the Hearing Examiner's Recommended Findings of Fact and Conclusions of Law, being fully advised, and for good cause shown, hereby enters the following findings of fact, conclusions of law, and order:

FINDINGS OF FACT

1. QEP is a Texas Corporation in good standing, with its principal place of business in Denver, Colorado. QEP is qualified to do business in Utah and is fully and appropriately bonded with all Federal and State of Utah agencies.

2. The Request for Agency Action ("Request") covers the following lands:

Township 8 South, Range 22 East, SLM

Section 1:	S½N½, S½
Section 12:	All
Section 13:	All
Section 24:	N½, SE¼

Township 8 South, Range 23 East, SLM

Section 3:	All
Section 4:	All
Section 5:	E½NE¼, S½
Section 6:	All
Section 7:	All
Section 8:	All
Section 9:	All
Section 10:	All
Section 11:	S½
Section 12:	S½
Section 13:	All
Section 14:	All
Section 15:	All
Section 16:	All
Section 17:	All
Section 18:	All
Section 19:	All
Section 20:	All
Section 21:	All
Section 22:	All
Section 23:	All
Section 24:	All

("Subject Lands").

3. The oil and gas underlying the Subject Lands is owned by the United States of America and the State of Utah and leased under the following leases:

Federal Leases

UTU-385
UTU-61396
UTU-71423
UTU-71424
UTU-72027
UTU-73020
UTU-73021
UTU-73685
UTU-74425
UTU-76830

UTU-76831
UTU-77290
UTU-78228
UTU-81655
UTU-81656
UTU-143276

State of Utah Lease

ML-47212.

QEP owns 100% of the working interest in these leases.

4. The South Red Wash Exploratory Unit (UTU-90211X) ("South Red Wash Unit") was approved on June 9, 2013, and consists of all of the Subject Lands, totaling 15,382.14 acres. The unit is administered by the United States Bureau of Land Management ("BLM"), and QEP serves as the unit operator. There are no uncommitted tracts within the unit. According to Section 16 of the South Red Wash Unit Agreement, all operations must be conducted in a manner that will promote conservation and prevent waste.

5. The Subject Lands have not been previously spaced by the Board. The wells on the Subject Lands have been located in accordance with the Division and the Board's general rules, including the well location and siting rules contained in Utah Admin. Code R649-3-2 and directional drilling rules in Utah Admin. Code R649-3-10 and R649-3-11. Under these rules, each well is to be located within a 400-foot "window" in the center of each 40-acre governmental quarter-quarter section, or substantially equivalent lot or tract, and no well may be located closer than 920 feet from an existing well drilled to or capable of producing oil and gas from the same pool. The default siting and location rules allow an approximate 40-acre well density pattern.

6. Well density and location patterns within the South Red Wash Unit are determined in accordance with the terms of the South Red Wash Unit Agreement and the annual plan of development approved by the BLM.

7. Based on a proposed 40-acre density pattern, there is potential for a total of 343 additional wells within the South Red Wash Unit. Of these proposed locations, it is anticipated that at least 32 of the wells would require approval of an exception location under Utah Admin. Code R649-3-3, since the wells cannot be located within the allowed "window" due to the topography in portions of the Subject Lands.

8. In requesting that the Board suspend Utah Admin. Code R649-3-2, R649-3-10, and R649-3-11 for the lands located in the South Red Wash Unit, QEP has agreed to the following conditions:

(a) The producing interval of any future wells will not be located closer than 460 feet from the South Red Wash Unit boundary without obtaining an exception location from the Division in accordance with Utah Admin. Code R649-3-3;

(b) No well may be directionally drilled on the Subject lands if any portion of the producing wellbore will be closer than 460 feet to the South Red Wash Unit boundary without complying with Utah Admin. Code R649-3-3 and R649-3-11(1) and (2);

(c) QEP or its successor as unit operator of the South Red Wash Unit agrees to provide (1) a plat or sketch showing the distance to lease boundaries and the target location with any application for permit to drill filed for a directionally drilled well and

(2) a copy of the annual plan of development and operation for the South Red Wash Unit;
and

(d) The requested suspension of these rules will remain in effect only for as long as the Subject Lands are committed to the South Red Wash Unit.

9. Evidence presented by QEP indicated that development of the South Red Wash Unit on 40-acre well density is economical and appropriate under the circumstances.

10. QEP mailed copies of the Request to the last known addresses of record as shown in the records of the Uintah County Recorder's Office, Utah School and Institutional Trust Lands Administration, and the Bureau of Land Management, Salt Lake City Office, for all persons having a legally protected interest in the lands subject to this Request by certified mail, return receipt requested.

11. Notice of the filing of the Request and of the hearings was duly published in the Salt Lake Tribune, the Deseret News, the Uintah Basin Standard, and the Vernal Express on December 29, 2015.

12. The Board members present at the hearing unanimously voted to grant the Request.

CONCLUSIONS OF LAW

13. Due and regular notice of the time, place, and purpose of the hearings was properly given in the form and manner as required by law and the rules and regulations of the Board and Division to all parties whose legally protected interests are affected by the Request.

14. The Board has jurisdiction of the parties and of the subject matter pursuant to Utah Code Ann. § 40-6-1. *et seq.*

15. Development in accordance with the South Red Wash Unit annual plan of development will conserve the resource and prevent waste.

16. The requested suspension of the default siting and location rules will result in consistent and orderly development and the greatest ultimate recovery of oil, gas and associated hydrocarbons, prevent waste, and adequately protect the correlative rights of all affected parties in the Subject Lands.

17. QEP has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for granting the Request.

ORDER

Based upon these findings of fact and conclusions of law, the Request, and testimony and other evidence submitted by QEP, the Board hereby orders:

1. The Request in this matter is granted.
2. Utah Admin. Code R649-3-2, R649-3-10, and R649-3-11(1) and (2) are suspended for the Subject Lands, provided that:
 - i. The producing interval in any future well may not be located closer than 460 feet to the boundaries of the South Red Wash Unit without obtaining an exception location from the Division pursuant to Utah Admin. Code R649-3-3;

- ii. No well may be directionally drilled if any producing portion of the 460-foot radius along the projected wellbore intersects with the boundaries of the South Red Wash Unit without complying with the requirements of Utah Admin. Code R649-3-11; and
- iii. QEP or its successor as unit operator of the South Red Wash Unit agrees to provide (1) a plat or sketch showing the distance to lease boundaries and the target location with any application for permit to drill filed for a directionally drilled well and (2) a copy of the annual plan of development and operation for the South Red Wash Unit.

3. This suspension of these rules will remain in effect only so long as the Subject Lands are committed to the South Red Wash Unit.

4. The Board has considered and decided this matter as a formal adjudication, pursuant to the Utah Administrative Procedures Act, Utah Code Ann. §§ 63G-4-204 through 208, and of the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641.

5. This order is based exclusively upon evidence of record in this proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, as required by the Utah Administrative Procedures Act, Utah Code Ann. § 63G-4-208, and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641-109; and constitutes a final agency action as defined in the Utah Administrative Procedures Act and Board rules.

6. **Notice of Right of Judicial Review by the Supreme Court of the State of Utah.** As required by Utah Code Ann. § 63-G-4-208(e) through (g), the Board hereby notifies all parties to this proceeding that they have the right to seek judicial review of this order by filing an appeal with the Supreme Court of the State of Utah within 30 days after the date this order is entered. Utah Code Ann. § 63G-4-401(3)(a) and 403.

7. **Notice of Right to Petition for Reconsideration.** As an alternative, but not as a prerequisite to judicial review, the Board hereby notifies all parties to this proceeding that they may apply for reconsideration of this order. Utah Code Ann. § 63G-4-302. The Utah Administrative Procedures Act provides:

(1) (a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63-46b-12 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied. *Id.*

The Rules of Practice and Procedure before the Board of Oil, Gas and Mining entitled “Rehearing and Modification of Existing Orders” state:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of that month. Utah Admin. Code R641-110-100.

The Board hereby rules that should there be any conflict between the deadlines provided in the Utah Administrative Procedures Act and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the aggrieved party may seek judicial review of the order by perfecting an appeal with the Utah Supreme Court within 30 days thereafter.

8. The Board retains exclusive and continuing jurisdiction of all matters covered by this order and of all parties affected thereby; and specifically, the Board retains and reserves exclusive and continuing jurisdiction to make further orders as appropriate and authorized by statute and applicable regulations.

9. The Chairman's signature on a facsimile copy of this order shall be deemed the equivalent of a signed original for all purposes.

DATED this 18th day of March, 2016.

STATE OF UTAH
BOARD OF OIL, GAS, AND MINING

By: 

Ruland J. Gill, Jr., Chairman

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of March, 2016, I caused a true and correct copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER** for Docket No. 2016-001, Cause No. 187-11, to be mailed by Email or via First Class Mail with postage prepaid, to the following:

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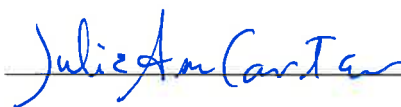
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A handwritten signature in blue ink, reading "Julie Ann Carter", is written over a horizontal line.